

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 SSO-00 SWF-02 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

CIEP-02 SP-03 STR-08 LAB-06 SIL-01 SAM-01 OMB-01

INRE-00 SS-20 NSC-07 DRC-01 NSCE-00 /124 W

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O 091046Z MAY 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 8975

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 11237

FOR TREASURY UNDER SECRETARY BENNETT FROM UNDER
SECRETARY VOLCKER

E.O. 11652: GDS

TAGS: EFIN, EEC

SUBJECT: ZEIST INFORMAL DISCUSSION ON GOLD

FOLLOWING IS TEXT OF STATEMENT MADE TO C-20 DEPUTIES'
MEETING ON MAY 7 BY DUTCH TREASURER-GENERAL OORT RE
ZEIST MEETING OF EC FINANCE MINISTERS APRIL 22 AND
23 ON GOLD:

BEGIN TEXT

I HAVE BEEN ASKED TO REPORT ON AN INFORMAL DIS-
CUSSION - AND I EMPHASIZE THE WORD INFORMAL RPT
INFORMAL DISCUSSION - WHICH THE MINISTERS OF FINANCE
OF THE EEC HAVE HELD ON APRIL 22 AND 23 AT ZEIST ON
THE SUBJECT OF GOLD.

BEFORE I REPORT TO YOU ON THE OUTCOME OF THE DIS-
CUSSION I WOULD LIKE TO MAKE CLEAR THAT IT HAS
RESULTED NEITHER IN A FORMAL DECISION ON THE PART OF
THE EEC COUNTRIES NOR EVEN IN A FIRM PROPOSAL TO BE
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MADE IN A WIDER INTERNATIONAL CONTEXT. WHAT CAME OUT

OF ZEIST WAS A CONSENSUS ON CERTAIN SUBSTANTIVE PROPOSITIONS THAT ARE TO BE FURTHER EXPLORED BEFORE THEY ARE SUBMITTED TO A NEXT MEETING OF THE COUNCIL OF MINISTERS OF THE EEC. IF AT A LATER STAGE THE COUNCIL REACHES AGREEMENT ON A CERTAIN POSITION, THE FURTHER PROCEDURE COULD BE THAT THE EUROPEAN COMMUNITY FORMULATES A FORMAL PROPOSAL ON HOW TO DEAL WITH THE PROBLEM OF GOLD IN THE PERIOD BEFORE THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM.

IN ZEIST, MINISTERS HAVE AGREED ON TWO GENERAL PROPOSITIONS. FIRST, THEY HAVE RE-ASSERTED THAT THE SDR SHOULD BECOME THE PRINCIPAL RESERVE ASSET IN THE FUTURE SYSTEM, AND THAT ARRANGEMENTS FOR GOLD IN THE INTERIM PERIOD SHOULD NOT BE INCONSISTENT WITH THAT GOAL. SECOND, THEY HAVE AGREED THAT SUCH INTERIM ARRANGEMENTS SHOULD ENABLE MONETARY AUTHORITIES TO EFFECTIVELY UTILIZE THE MONETARY GOLD STOCKS AS INSTRUMENTS OF INTERNATIONAL SETTLEMENT.

THERE WAS A CONSENSUS AMONG MINISTERS THAT AN INCREASE OF THE OFFICIAL GOLD PRICE, ALTHOUGH IT MIGHT SERVE THE SECOND OBJECTIVE, WOULD BE INCONSISTENT WITH THE FIRST. IN ORDER TO MOBILIZE MONETARY GOLD AS AN INTERNATIONAL RESERVE ASSET, THEY HAVE AGREED THAT:

1. MONETARY AUTHORITIES SHOULD BE PERMITTED TO BUY AND TO SELL GOLD BOTH AMONG THEMSELVES, AT A MARKED-RELATED PRICE, AND ON THE FREE MARKET. THE MONETARY AUTHORITIES WOULD HAVE COMPLETE FREEDOM TO BUY OR TO SELL GOLD, AND WOULD HAVE

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NO OBLIGATION WHATEVER TO ENTER INTO ANY PARTICULAR TRANSACTION.

2. CERTAIN DELEGATIONS ARE OF THE OPINION THAT GOLD TRANSACTIONS WITH THE FREE MARKET SHOULD NOT, OVER A CERTAIN PERIOD OF TIME, LEAD TO A NET INCREASE OF THE COMBINED OFFICIAL GOLD STOCKS.
3. IN ORDER TO APPLY THESE PRINCIPLES, VARIOUS PRACTICAL SOLUTIONS CAN BE ENVISAGED. TWO WERE MENTIONED IN PARTICULAR. ONE IS THAT MONETARY AUTHORITIES PERIODICALLY FIX A MINIMUM AND A MAXIMUM PRICE BELOW OR ABOVE WHICH THEY WOULD NOT SELL OR BUY ON THE MARKET. THE OTHER CONSISTS IN CREATING A BUFFER STOCK TO BE MANAGED BY AN AGENT WHO WOULD BE CHARGED BY THE MONETARY AUTHORITIES TO INTERVENE ON THE MARKET SUCH AS TO ENSURE ORDERLY CONDITIONS ON THE FREE MARKET FOR GOLD.
4. THESE ARRANGEMENTS WOULD BE ADOPTED PROVISIONALLY AND WOULD BE REVIEWED IN THE LIGHT OF EXPERIENCE

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ATTAINED AFTER, SAY, A YEAR.

IN CONCLUDING, MR. CHAIRMAN, I WOULD LIKE TO EMPHASIZE ONCE MORE THAT WHAT I HAVE JUST SAID IS NOT RPT NOT A PROPOSAL BY THE EEC, BUT A REPORT ON AN INTERIM-STAGE IN THE DISCUSSIONS. MINISTERS HAVE PERMITTED US TO MAKE THIS REPORT IN ORDER TO INFORM YOU AS EARLY AS POSSIBLE OF THE DIRECTION IN WHICH A CONSENSUS AMONG THE EEC COUNTRIES IS EMERGING. THEY EXPECT DEPUTIES TO INTERPRET THE STATUS OF THE INFORMATION IN THE LIGHT OF WHAT I HAVE JUST SAID.

END TEXT

IRWIN

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